

# Chapter2

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## Planning and risk assessment

**CREATING GREAT OUTCOMES**

through professional qualification training  
and study abroad services and preparation

# Objective and general principles of audit planning

- **ISA 300 Planning an Audit of Financial Statements**

- The auditor should plan the audit work so that the audit will be performed in an **effective manner**.

- **Overall audit strategy**

整体审计策略

- **Audit plan**

具体审计计划

- Modern audit approach: **risk-based approach**

以风险为导向的审计

- ✓ Identify the main risk areas in the planning stage

在计划的阶段识别风险

- ✓ Base the audit plan around those risks

基于风险做具体的计划

- ✓ Carry out an efficient audit

基于计划采取高效的审计行动，风险高的地方多审计，风险低的地方可以放过。

- ✓ Reduce the chance of a negligence claim against the auditor

避免审计师疏于职守

# Planning Process

## Preliminary engagement activities

初步业务活动

- Evaluating compliance with ethical requirements
- Establishing the terms of the engagement

1

## Planning activities

2

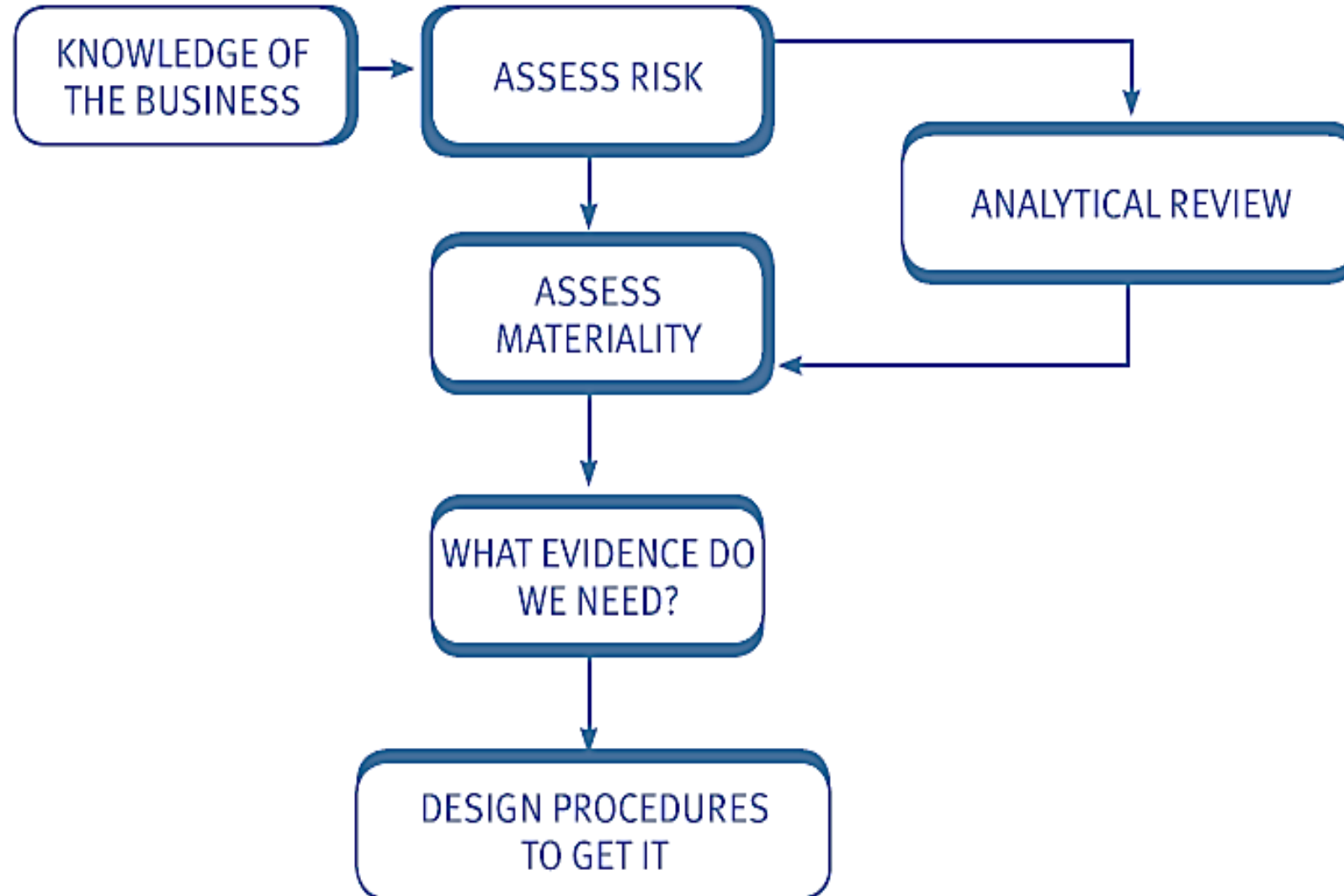
- Developing the **audit strategy**
- Developing an **audit plan**

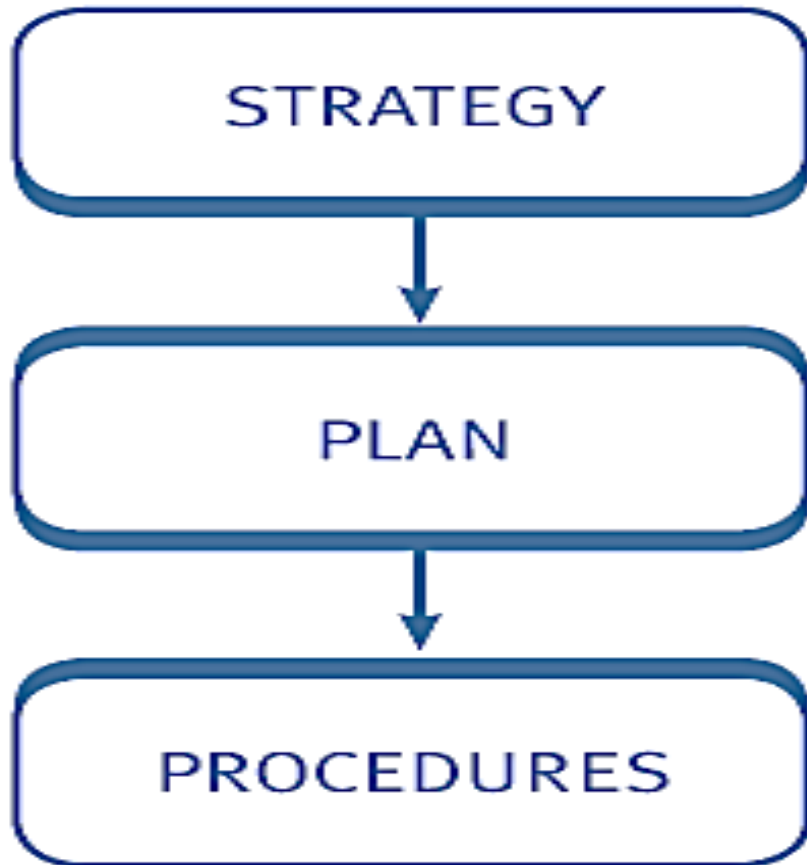
# The audit strategy



# 4

## Planning an audit





**Determines scope and direction of audit and determines its development**

决定审计的范围和审计的方向

**Show how the overall strategy will be implemented**

展示总体审计策略如何实行

## RELATIONSHIP BETWEEN STRATEGY AND PLAN

# Benefits of planning:

- Attention to important areas
- Resolve potential problems
- Select appropriate engagement team members
- Direct and supervise engagement team members
- Help coordination of work, such as experts and internal audit
- Develop an audit strategy:
  - ✓ The size of the client
  - ✓ The auditor's familiarity/history with the client
  - ✓ The complexity of the audit
  - ✓ Any specific reporting requirements

# The audit strategy

- A general approach for the nature, timing, and extent of the audit work

- a) *Identify the characteristics of the engagement;* 了解项目特征
- b) *Ascertain the reporting objectives to plan the timing of the audit and the nature of communication;* 时间表 沟通
- c) *Consider the significant factors and results of preliminary engagement activities that will direct the team's efforts, and knowledge gained on other engagements*
- d) *Ascertain the nature, timing and extent of resources necessary to perform the engagement.* 执行业务的资源

**Consideration  
in establishing  
the audit  
strategy**



# The audit strategy

- **Financial reporting framework**  
GAAP or IFRS
- **Special reporting requirements**  
Listed companies  
Finance companies
- **Other factors**  
*Knowledge of the business*  
Internal audit function  
Industry reporting  
Computer assisted audit techniques

- **Timetable for reporting-Deadlines:**
  - ❑ Final reporting
  - ❑ Any interim report
  - ❑ Reports to management
  - ❑ Reports to those charged with governance

以前工作的发现结果

planning 考虑客户的内控

- **Communications with:**  
client/audit team/3<sup>rd</sup> parties

- **Budgeting**

- **Cover the overall approach and concern such issues as:**
  - ❑ Preliminary assessment of **materiality** 重要性水平的初始评估
  - ❑ Preliminary identification of **high risk areas** 高风险区域的初始识别
  - ❑ Results from previous audits
  - ❑ Internal control of the client
  - ❑ Significant business development/changes
  - ❑ Significant financial reporting changes IAS40 投资性房地产，房地产升值
  - ❑ Change in laws and regulations
  - ❑ Need for Professional scepticism

a

b&d

c

# Audit plan:

Once the audit strategy has been established, the next step is to develop a **specific, detailed** plan to address how the various matters identified in the overall strategy will be applied.

审计计划备忘录，是一种总结，给到每一个成员，通常是word或者Excel

The auditor will prepare ***audit planning memorandum***. This is a summary **document** given to all member of the audit team prior to the commencement of the audit.

# The audit plan

01

*The nature, timing and extent of risk assessment procedure*

02

*The nature, timing and extent of further audit procedures; including:*

- **what** audit procedures are to be carried out 询问 检查 观察
- **who** should do them 各司其职
- **how much** work should be done(sample size,etc.) 做到什么程度, sample
- **when** the work should be done( interim or say prefinal vs. final)  
工作什么时候做完

03

*Any other work should be done*

# Practice

*June 2012 exam Q2(b)*



- 2 (a) ISA 300 *Planning an Audit of Financial Statements* provides guidance to assist auditors in planning an audit.

**Required:**

**Explain the benefits of audit planning.**

**(4 marks)**

# ISA 315 *Identifying and assessing the risks of material misstatement through understanding the entity and its environment*

识别和评估重大错报风险

KOB

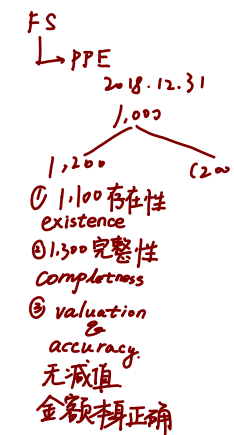
5

KBF  
楷博财经

在充分了解客户的情况下作出  
存在性判断

“the objective of the auditor is to identify and assess the **risk of material misstatement**, whether due to fraud or error, at the financial statement and assertion levels, through understanding the entity and its environment, including the entity’s internal control, thereby providing a basis **for designing and implementing responses to the assessed risks of material misstatement**.”

认定



✓ *The auditor must identify the risks of material misstatement and use this to guide the design of their audit procedures.*

# Understanding the entity and its environment

- ISA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity*

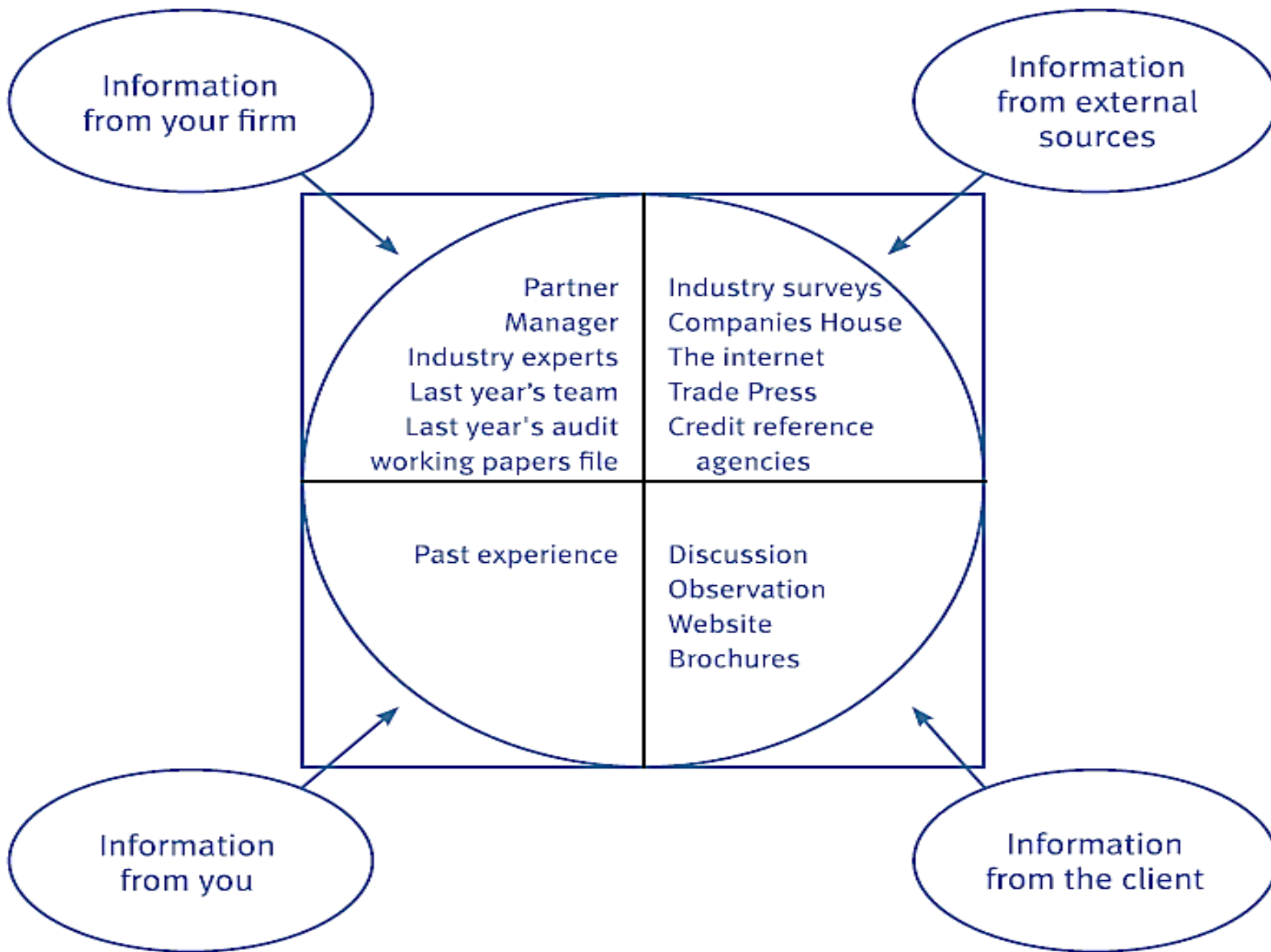
获得最新财务报告并做出分析性复核

- Auditors can gain an **initial** understanding of a client by:

- (i) Latest set of financial statements and performing an **analytical review** of them
- (ii) Meeting with management and internal audit team
- (iii) Searching the internet for articles or reports on the client
- (iv) Requesting permission to meet with the outgoing auditors /or to review their audit files

2019.10.可拿到 2019.1-9的  
报告。  
初始了解：  
2019 1-9. 销售收入 900万  
可换算后与2018年数据对比。 年化收入。  
2018  
2019. 9 2018 收入增长20%。分析原因。  
1,200 1,000 工厂走访，企业机器运转。  
推断有可能存在虚报，引起怀疑  
↓  
与管理层聊天，前任审计师聊天  
结合自己积累的知识

# *Sources of Knowledge and Background*



# Understanding the entity and its environment

## Matter to consider



### *Three aspects: the clients; the clients' environment; the clients' internal controls*

- *The nature of the entity*

- its operations

- its ownerships

- types of investments

- the way it is structured and financed

资产=负债+所有者权益  
等号右侧代表融资方式

预付账款是资产

一和三代表企业的资产

财务报表审计关注的是企业本身的状态

融资方式为什么影响财务报表？

融资结构代表 liability 和 ownership 的来源

- *The entity's selection and application of accounting policies*

- *The entity's objectives, strategies and related business risks*

- *The measurement and review of the entity's financial performance*

- *Relevant industry, regulatory and other external factors*

- *The internal controls relevant to the audit*

目标、战略、商业风险

战略：成本领先 差异化  
差异化战略的企业重点关注研发，  
成本领先的企业关注存货，  
存货与可变现净值孰低，  
存货有可能减值



# 6

# Assessing the risks of material misstatements



## Audit risk

“The risk that the auditor expresses an **inappropriate audit opinion**.”

审计师表达不恰当审计意见的风险叫做审计风险，  
审计师只对财务报表发表意见：

FS	Opinion	
假	假	恰当
真	真	恰当
真	假	实务中不可能发生
假	真	只有这一种叫做不恰当审计意见

## Overriding principle(ISA 200)

“To obtain **reasonable assurance**, the auditor shall obtain **sufficient appropriate evidence** to reduce audit risk to an **acceptably low level**.”

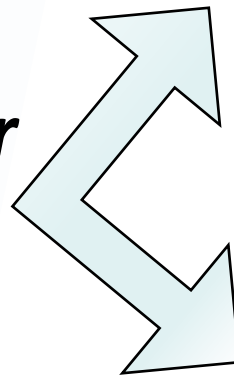
1. 审计的固有缺陷
2. 舞弊太高超了



**Will never be eliminated**

## **Audit risk**

***“The risk of that the auditor expresses an inappropriate audit opinion.”***



## **Risk of material misstatement**

Financial statements are materially misstated prior to audit.

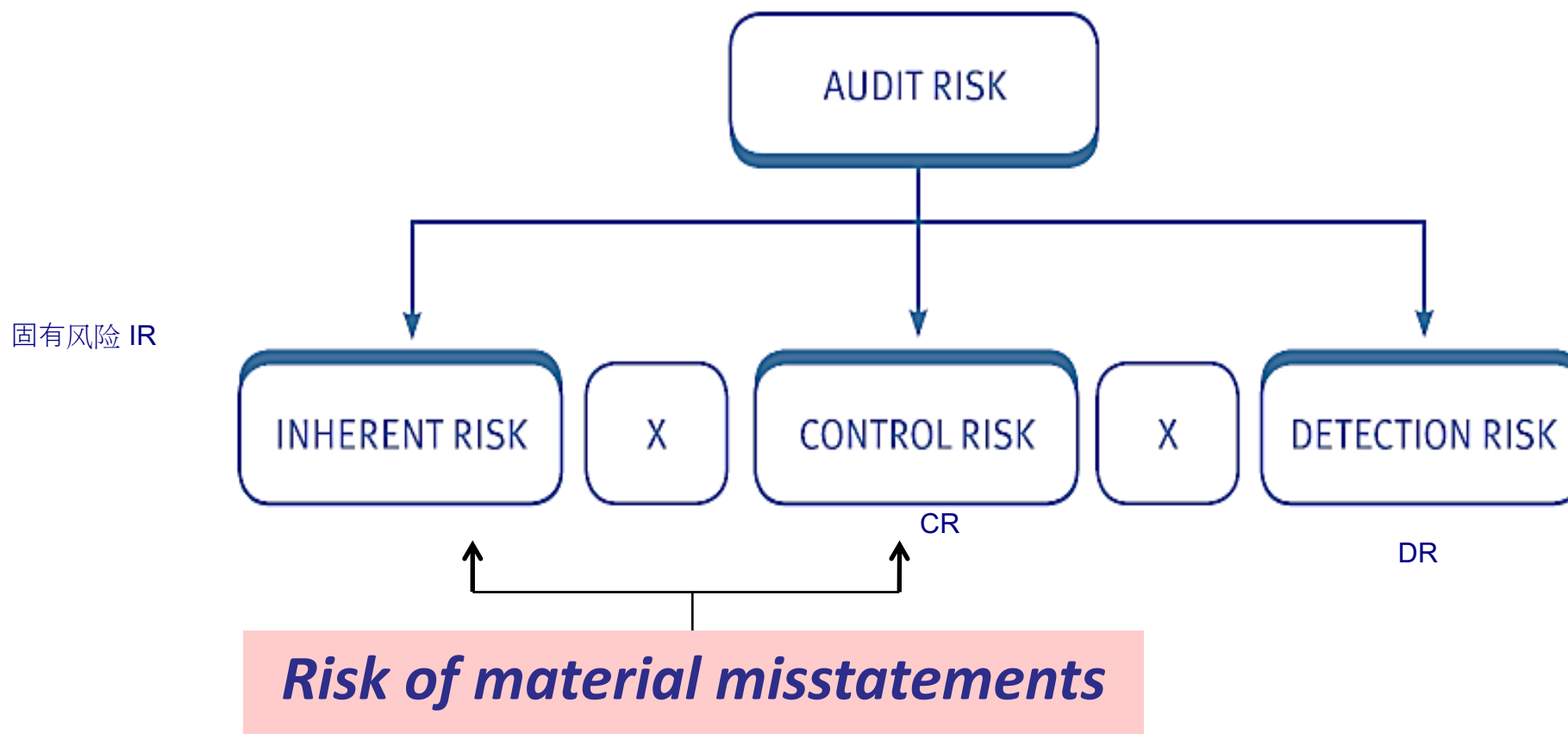
审计开始之前就客观存在的重大错误，不因审计师的意志变化

## **Detection risk**

The procedures performed by auditor will not detect a misstatement that exists and that could be material.

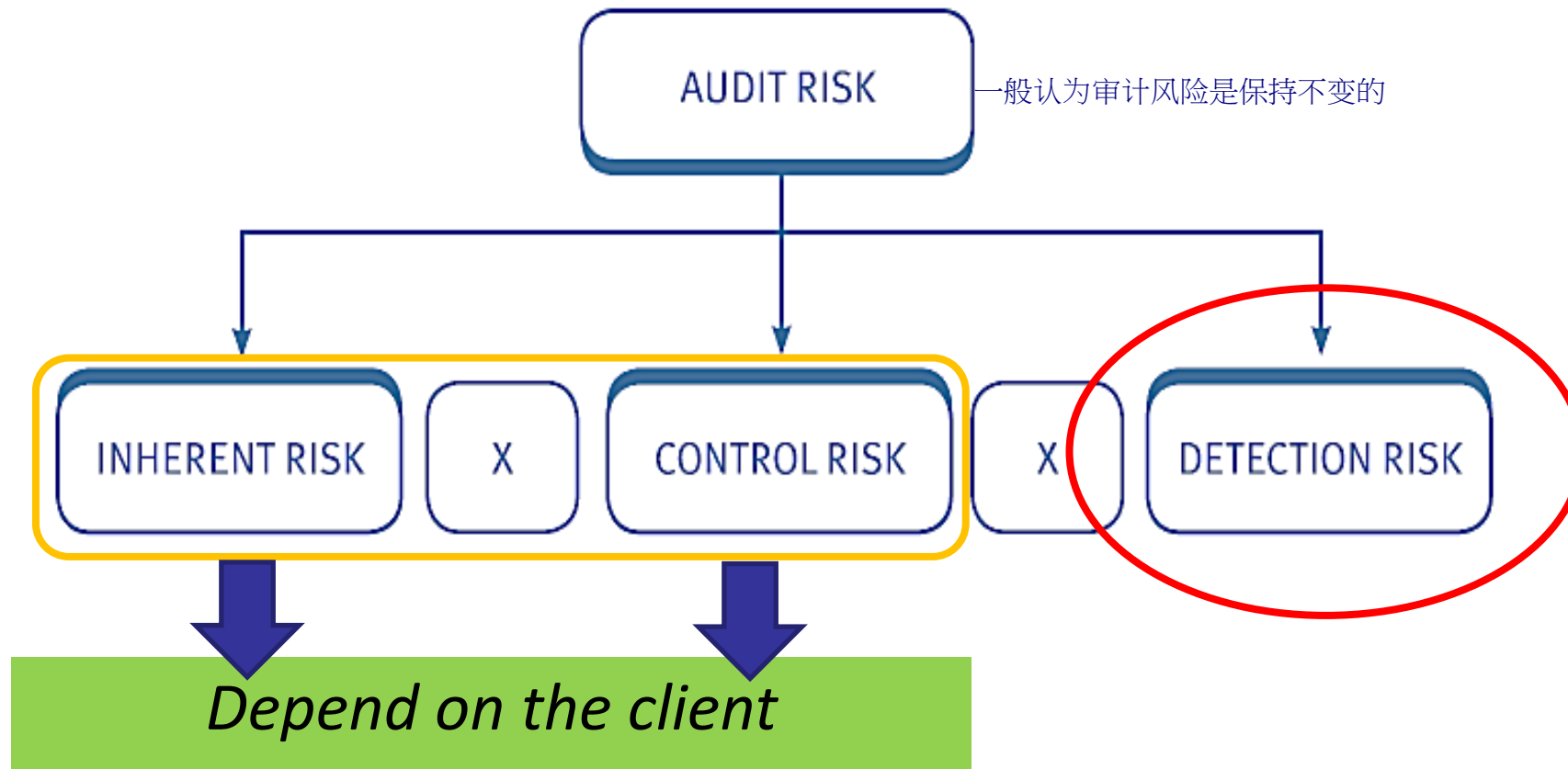
检查风险，由于有错报的存在，  
审计师因个人没有检查出来而产生错报

# Audit risk



# Audit risk

如果企业的控制是无效的，控制风险高。F  
8控制风险和固有风险只能同向。



- ✓ DR can be manipulated to make the audit risk an **acceptable level** 指的是审计师可以去操纵
- ✓ If CR and IR are high then DR will be low. **The lower the level of DR, the greater the level of testing required.** 检查风险越低，工作量越大
- ✓ To bring the AR down: more work/ qualified member to the team

一般来说要么做更多的工作，  
要么让更有经验的人来做

和准则不一样就是错报，不符合标准就是错报。

## Misstatement

金额 分类 列报 披露

重点考金额和披露

Misstatement is “a difference between the amount, classification, presentation, or disclosure of a reported Financial Statement and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework. Misstatement can arise from error or fraud.” (ISA 450 Evaluation of Misstatement identified during the audit)

*Three Categories:*

*---factual misstatements*

*---judgmental misstatements*

*---projected misstatements*

金额不一样，固定资产算折旧，假设某企业突然将折旧年限拉长，违反了准则，就会导致资产、利润被高估

分类不一样，会计科目不同，客户借十年期贷款，分期还款，涉及到流动负债和长期负债

列报不一样，当某一批固定资产不再用的时候，持有待售而不应该在固定资产；IFRS 资产负债表的第一项是long current assets 中文第一项是现金 IFRS从流动性最差到流动性最强，中文反之，编制方法不同产生的错误也叫列报错误

## Misstatement

### Three Categories:

---*factual misstatements: a misstatement about which there is doubt.*

事实错报，毫无疑问的就是错报，比如忘记记某一项

NO  
^

---*judgmental misstatements: a difference in an accounting estimate that auditor considers unreasonable, or the selection or application of accounting policies that the auditor considers inappropriate.*

双方争执不下来的问题，不好判断对错，站在审计师的角度应该以退为进。discuss with management，了解背后理由，提供证据关公像促进了生产。总之主动权在审计师手上。

判断错报，审计师认为会计估计不合理，客户认为合理，审计师认为会计政策的选择和应用不合适，会计师认为合适。企业在工厂门口修了关公像，记在了制造费用，理由是关公保佑生产，促进生产的都是应该记在制造费用。有人认为应该放在管理费用，与生产和销售都没有关系，老板的唯心主义罢了，能保佑公司整体。借其他应收款，要收决定修这个关公像的老板头上。

---*projected misstatements: a projected is the auditor's best estimate of the total misstatement in a population through the projection of misstatement identified in a sample.*

推断错报，审计师的最佳估计需要抽样，同时估计后要采取适当的审计程序证明

1,000 → 100  
↓  
400 → 40 projected

*‘Misstatement, including omissions, are considered to be **material** if they, individually or in the aggregate, could reasonably be expected to **influence the economic decisions** of users taken on the basis of the financial statement ’ - ISA 320*

单独或者合计

影响到使用者经济决策的错误叫做错报

*Determining materiality is up to the **professional judgment** of the auditor! It is subjective and complex, auditor must consider:*

- Whether the misstatement would affect the economic decision of the users;*
- Both size and nature of misstatements*
- The information needs of the users as a group.*

## ***Three ways to be used:***

*---Material by size (quantity, used to calculate preliminary materiality)*

实际执行的重要性水平

*---Material by nature(quality)*

*---Performance materiality*



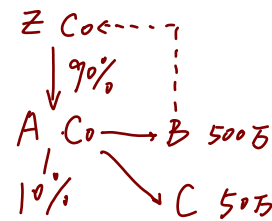
# Materiality

## Material by size

标准要背

### General guidance

- $\frac{1}{2} - 1\%$  of turnover 营业额/收入
- $5 - 10\%$  of PBT 税前利润，  
考试会给一个税后利润，  
给个税，让你算PBT
- $1 - 2\%$  of total assets



舞弊：  
个人行为  
损害小股东利益



## Material by nature

考试的时候给两个数据算出来的结果不会矛盾，超过了最低线，to some degree, material。

- Misstatement that, when adjusted, would turn a profit into a loss
- Misstatement that when adjusted, would turn a net-asset to net-liability
- Transaction with directors
- Related party transactions } 关联方交易，有可能涉及舞弊
- Disclosures relating to possible future legal claims or going concern issues IAS 37  
持续经营披露

存在金额小，影响大的可能。错报一旦调整，  
可以使公司从盈利变成亏损；可以使公司净资产变成债务，资不抵债

# Performance Materiality

PBT 1,000  
 5% materiality 50 individual 50\*  
 4个错报 10 10 20 30 相加 > 50万, 审计师没找到  
 in aggregate 50% of Materiality = 25万 实际执行的  
 10 10 20 30  
 40  
 不重大, 也没检查  
 ⇒ 审计师审计风险降低。因此审计师会选一个实际执行的 materiality.

- “The amount set by the auditor at **less than materiality** for the financial statements as a whole to reduce to an appropriate low level the probability that the **aggregate** of unconnected and undetected misstatements **exceeds materiality** for the financial statements as a whole”.

实际工作中，四大选择了更低的审计风险水平，  
 比如5%-10%，比教材更严格

- **ISA320**

- This **reduces the risk** that the auditor will fail to identify misstatements that are **material when added together**.
- The auditor sets performance materiality at a **value lower than overall materiality**, and uses this lower **threshold** when designing and performing audit procedures
- 50%-75% of financial statement materiality

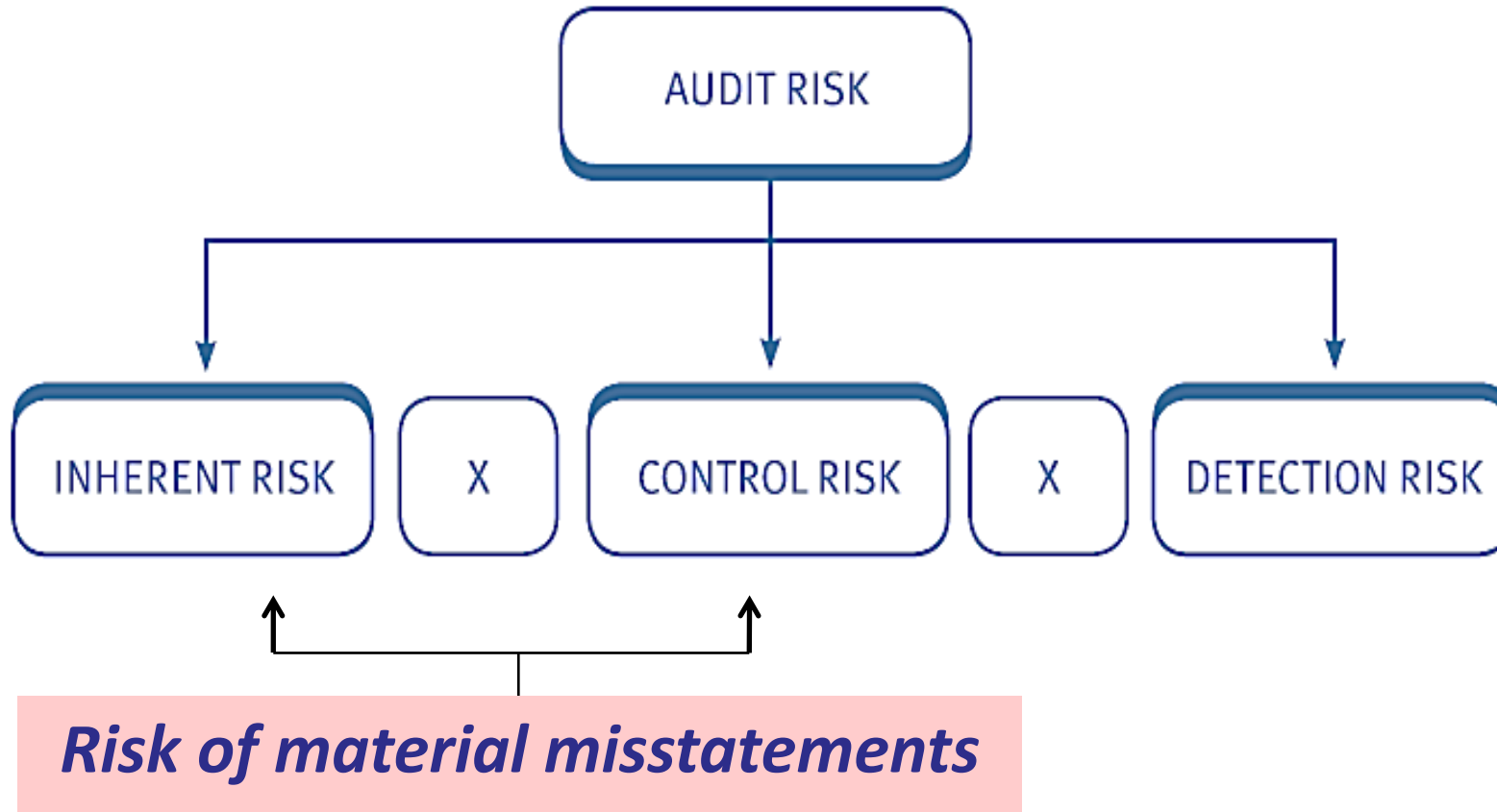
## Materiality

***Conclusion: The level of materiality set has a critical impact on the audit in two ways:***

- ***The nature, timing and extent of audit procedures; and*** 审计的工作量大小。
- ***Evaluation of the effect of misstatements. i.e. will the error lead to an adjustment or modification of the auditor's report.*** 帮助评价错报的影响

## **Audit risk**

## RoMM



# Inherent Risk

一般考选择题比较多



Inherent risk is the susceptibility of an assertion about a class of transaction, account balance or disclosure to misstatement that could be material, **before** consideration of any related controls.

在考虑企业相关控制之前，天然财务报表风险

- The risk of a material misstatement in the financial statements because of the nature of the industry, entity or the nature of the item itself.  
来源于企业所处行业、企业、会计科目本身相关
- In other words, the risk that a misstatement occurs in the first instance. It is always related to **business risk**.  
由于风险是天然的，

- *Changes in the industry it operates in*

客户改变了所处的行业

- *Going concern and liquidity issues*

持续经营或者流动性问题

- *Developing or offering new products*

IAS 38 IAS 2

- *Application of new accounting standards*

应用新的会计准则往往在企业得不到应用，企业的会计不及时学习新的准则，不会使用

- *Complex processes*

制造业企业的流程复杂，分配过程复杂

无形资产的资产化或者费用化比较难判断

- *Significant accounting estimates* IAS 38

- *High tech industry* 高新技术企业行业特征决定存货有减值的风险成本高于可变现净值 IAS 2

- *Cash based industry* 大量收受现金的企业天然有舞弊的风险

- *New accounting standards*

- *Stock-exchange listing* 上市风险，舞弊风险很高，企业会想办法把报表做的好看

# Control Risk

Control risk is that a misstatement that could occur and that would be material will **not be prevented, or detected and corrected** on a timely basis by the **entity's internal control**.

人的缺失 人的职能过于集中

- It could be assessed, but will **not be changed by auditor's work**.
- Control risk could be higher either because of the design deficiency or application error.  
设计缺陷 要求复核但是没有复核

- *Deficiencies of IT control* IT 控制的缺陷
- *Lack of personnel with appropriate accounting skills* 财务部没人
- *Changes in key personnel including departure of key management*

关键岗位的人事变更 缺少授权

- *Lack of authorisation controls* 缺少授权
- *Lack of segregation of duties* 职责分离 出纳和会计 做工资的和发工资的 生产小组长负责发工资
- *Efficiency internal control policies but staff not willing to follow it*

内控本身的设计是有效的 但是没人愿意执行

# Detection Risk

Detection risk is the risk that the procedures performed by the auditor to reduce audit risk to an acceptable level will not detect potentially material misstatements, either individually or in aggregate, that exist.

公司 1000 万收入, 只检查 1%, 没有错报  
得出结论认为 1000 万都没错报

1. 样本数量过少
2. 抽样方法问题
3. 与抽样无关, 审计师问题.

➤ This is only risk auditor can managed

➤ Detection risk comprises:

- Sampling risk 抽样风险

- ❑ Sample may not be representative, missed material errors 样本不具有的代表性
- ❑ The auditor's conclusion based on a sample is different from the conclusion that would be reached if the whole population were tested

- Non-sampling risk: 非抽样风险

- ❑ the risk that the auditor's conclusion is inappropriate for any other reason

# Detection Risk

- *Lack of experiences/ tight budget or deadline* 时间紧任务重  
做计划的时候没有制定合理的计划
- *Inadequate planning* 审计师缺乏经验
- *Poor sampling or using inappropriate procedures* 抽样方法不好
- *A member of the client's staff misleads the auditor* 一个客户故意误导审计师，存在舞弊
- *Inadequate supervision and review of audit work* 最后复核没查出来

- *Inexperience staff*
- *First year audit* 第一年审计，有些业务还要现了解，会出现在题干中
- *Emergence deadline*
- *Wrong approaches*
- *Wrong sample*



# Relationship between materiality and audit risk



Inherent Risk	Control Risk	Auditor's Acceptable Detection Risk	Materiality (Monetary precision, Amount)	Level of substantive procedures <small>实质性审计程序</small>
RoMM of the entity's F/S				
Higher	Higher	Lower	Lower	Higher
Lower	Lower	Higher	Higher	Lower

# Exam Focus – Audit risk **NOT** Business risk

- Audit risks need to relate to either a *risk of material misstatement* or a *detection risk*.
- For risk of material misstatement, identify a **balance in the scenario** that is at risk of misstatement and explain why you believe it could be misstated.
- Detection risks are the risks the auditor does not detect material misstatements in the financial statements e.g. when it is a new audit client or if there is a tight reporting deadline.

模板

16 分 8 点

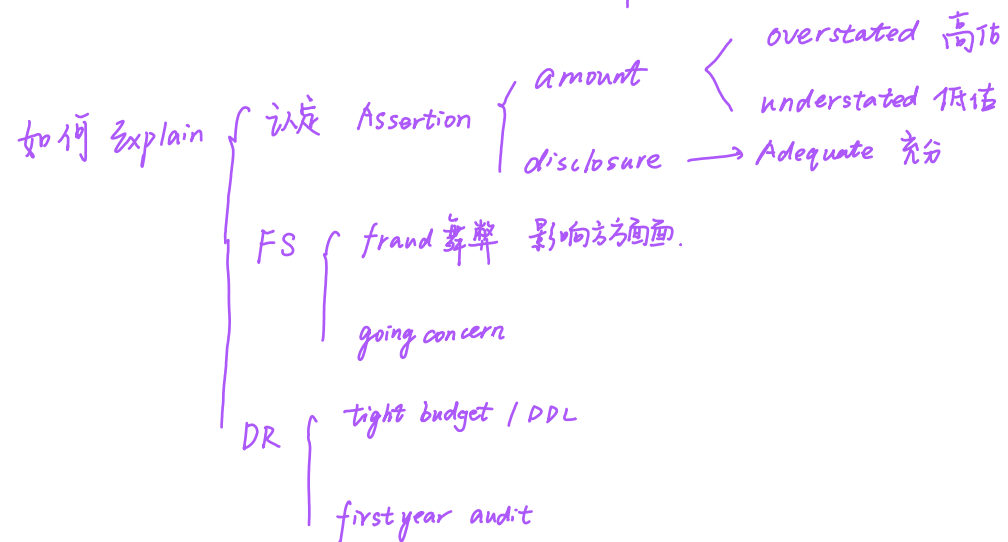
Audit risk

(ROMM, CR)

Identify ( $\frac{1}{2}$ ) 抄原句

Explain ( $\frac{1}{2}$ )

response (1)  
cha 3.4



# Exam Focus – Audit risk **NOT** Business risk

Factor	Audit Risk ☆☆☆	Business Risk
Customers are struggling to pay debts. 应收账款坏账风险	Receivables may be overstated if bad debts are not written off. 如果没有计提, 则应收账款被高估	Bad debts may arise reducing the profits of the company.
The client 节奏快 operates in a fast paced industry.	Inventory may be overstated if the inventory is obsolete and NRV is lower than cost. 可变现净值	Inventory may have to be written off reducing the profits of the company.
Revenue is falling due to recession. 由于衰退导致收入下降	If other factors are present, this could mean the company is unable to continue to trade for the foreseeable future and going concern 披露不充分风险 disclosures may be required. ☆ There is a risk that adequate disclosure is not made. 考试经常考	Falling revenue will result in reduced profits and possible going concern issues.

# Practice

1. Which of the following amendments to the audit approach would reduce detection risk?

A Decrease in sample sizes. X

B Decrease the materiality level.

C Decrease supervision. X

2. Which of the following circumstances gives rise to an inherent risk?

A The audit client manufactures computer equipment. 行业、企业、会计科目

B Customers are allowed a \$100,000 initial credit limit before a formal credit limit is agreed following credit checks. IT 初始信用额度 信用检查之前就给了10万额度 CR 应收账款坏账↑

C The finance director has resigned and is yet to be replaced. CR

# Practice

3 Which of the following circumstances would increase control risk? ✓

C

A The client operates in a highly regulated industry ✓ X

B The auditor is relying on tests of controls and reducing substantive procedures accordingly ✓ X 离职率

C There is a high turnover of staff in the finance department ✓

4 Which of the following is an example of an audit risk? ✓

D

A The business is experiencing cash flow problems ✓ X

B A customer has gone out of business ✓ X 应收账款

C A supplier has increased prices ✓ X

D Inventory may be overstated due to damaged items being valued at cost instead of net realisable value ✓



# Practice

- 5 Which of the following is NOT an example of an audit risk? ✓ C
- A Intangibles may be overstated due to development costs not meeting the relevant ✓  
criteria of IAS 38 Intangibles ✓
- B Disclosures of going concern issues may not be adequate ✓
- C The company may not be compliant with relevant laws and regulations ✓
- D There is a tight reporting deadline which may mean there are material misstatements  
due to a higher number of estimates included in the financial statements. ✓ DR

**Right: 1.B 2.A 3.C 4.D 5.C**

*Example*

*Dec 2013 Q1*

## Homework

*Question bank:*

*P33 Q2 and*

*Sep 2016 Q18*



## 7.3 The prevention and detection of fraud and error

**Fraud** is an **intentional act** involving the use of deception to obtain an unjust or illegal advantage.

**Error** is an **unintentional** misstatement

Fraud has **two** types:

- *Fraudulent financial reporting: deliberately misstating the accounts to make the company better/worse than it actually is.*  
粉饰报表
- *Misappropriation of assets (theft of the assets)* 侵占资产

WHAT IS FRAUD

## Internal

### Directors:

阻止舞弊的发生和减少舞弊的发生

*The primary responsibility of prevention and detection of fraud rests with those charged with governance and management of an entity.*

### Internal auditors:

*May act as a deterrent to fraud.*

建立一个有效的内控系统

- Implementing an **effective system of internal control**; (audit committee)
- Creating an **culture** of honesty, ethical behavior and active oversight by those charged with governance.

创造良好的组织文化

## Internal

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### Directors:

*The primary responsibility of prevention and detection of fraud rests with those charged with governance and management of an entity.*

测试内控的有效、执行舞弊的调查、资产的突击检查

### Internal auditors:

*May act as a deterrent to fraud.*

---

外审不能做突击检查

- Test the effectiveness of internal control.
- Perform fraud investigation
- Perform surprise assets counts to identify missappropriation

However there is unavoidable risk that some material misstatement may not be detected even if properly planned in accordance with ISAs as the fraud is likely to be concealed.

故意创造的舞弊是不可避免有疏漏的，在理论上审计师没有责任，在实际中要赔钱

**Report of fraud-*timely*** basis to ***appropriate*** level of management

- Those charged with governance;
- Shareholders
- Seeking Legal advices

## External auditor:

*Recognises that misstatements in the financial statements can arise from either fraud and error.*

外审的关注重点还在财务报表，  
内审是为了公司好，外审只找差错

## External

如果在工作发现了舞弊怎么办？

发现了还是有责任报告舞弊给合适的层级。

管理层作假，报告给charged with governance

公司管理层和治理层，报告给shareholder

公司联合股东作假，seeking legal advices，因为有保密协议，  
要找合适的人确认是否可以报告

# EXTERNAL AUDITOR'S RESPONSIBILITY



- Maintain an attitude of professional scepticism 考试经常写
- Consider any incentives to commit fraud, e.g. profit related bonuses
- Test year-end journals and adjustments that may be used to manipulate the financial statements  
by management 管理层的年末调整  
自我合理化：把自己不道德的行为变成看似道德的行为。  
动力 机会 自我合理化
- Make audit procedures unpredictable 让审计程序不可预测 审计师做突击存货盘点×；审计师突然去了公司.....×：  
materiality 100% · PM 50% 公司会知道审计师的规律，审计师突然改变PM；  
扩大测试范围不是Unpredictable
- Obtain written representation from management that they have informed all known or suspected fraud
- Communicate the fraud matter to management/those charged with governance/ report to a party outside the entity as necessary and a modified report  
报告给相关的层级

# Professional scepticism

- An *attitude* that includes a *questioning mind*, being *alert* to conditions which may indicate possible misstatement due to fraud or error, and a *critical assessment* of audit evidence

----- ISA 200

- *So what can go wrong ?*

# Practice

*June 2012 exam Q3 (a)*



- 3 (a) Explain the external auditors' responsibilities in relation to the prevention and detection of fraud and error.  
(4 marks)

## 7.4 The auditor's responsibilities to consider laws and regulations

- It is the management's responsibility to ensure that the entity's operations are conducted in accordance with laws and regulations. This includes responsibilities for the prevention and detection of non-compliance with laws and regulations.

PBT: 1,000 按税法要求计提25% ·  
( 250 ) 但是公司只计提15% · 就叫重大错报

- **Auditor's responsibility** differs in relation to types of laws:

- (i) Laws and regulations which have a direct effect on the determination of material amounts and disclosures in financial statements – **obtain sufficient and appropriate evidence of compliance**, i.e. tax law, financial reporting regulations, company law
- (ii) Laws and regulations which do not have a direct effect on the financial statements, but may impact the entity's ability to continue trading – **specified procedures**, i.e. environmental legislation, health and safety law, employment law.



## 7.4 The auditor's responsibilities to consider laws and regulations



Auditor should take **Specified procedures** to help identify instances of non-compliance that may have a material effect on the financial statements:

- Understanding the legal and regulatory environment;
- Inspect correspondence with relevant licensing and regulatory authorities;
- Enquire of management and those charged with governance 文件
- Obtain written representation 获得管理层说明书